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Discount Store News®

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Crazy Eddie Buyout Bid May Revive Chain's Sales

By Josephine Fiamingo

EDISON, N.J. — The return of founder Eddie Antar may be just what the doctor ordered for Crazy Eddie.

Industry observers expect Antar's bid to buy back some 26 million shares of the chain's stock will rekindle the scorching sales productivity that made Crazy Eddie one of the fastest growing consumer electronics chains and a Wall Street gem.

The CE retailer said it is considering a $7-per-share buyout bid from its founding chairman, who resigned from the company in January for personal reasons, and a Vancouver investment firm, First City Capital Corp., which is controlled by the Belzberg family of Canada.

Antar and First City own about 14 percent of Crazy Eddie's 31 million outstanding shares of common stock. At $7 per share, the purchase price offered by Antar and First City for the remaining shares totals between $186 million and $187 million.

The 36-store chain, which was founded by Antar 18 years ago in Brooklyn, N.Y., said it has appointed a committee of outside directors to evaluate the unsolicited offer. The committee has been authorized to select and retain investment bankers and other advisors to assist in evaluating the bid.

Crazy Eddie was the most heavily traded stock on May 20 when it jumped $2.63 to $7.88 after it received the offer. It closed May 21 at $7.50, up 27.55 percent from the previous two-week period closing. Crazy Eddie stock closed on

(Continued on page 61)

Zayre Spins Off Apparel Units To Allow for Faster Expansion

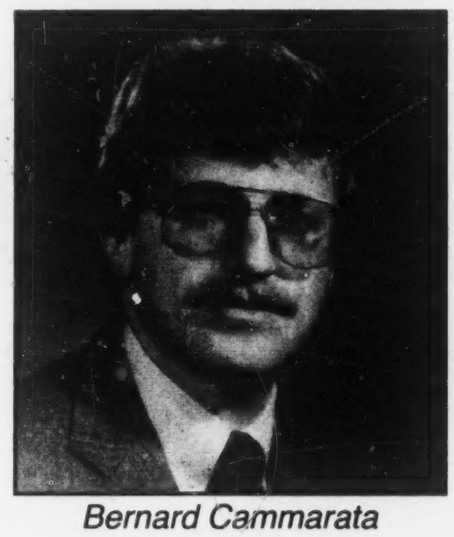
By Mary Ellen Kelly

FRAMINGHAM, Mass. — Zayre Corp. is attempting to spin-off its off-price apparel operations as a separate, privately-held company to raise capital for expansion and to highlight the growing success of those divisions.

At an anticipated initial offering price of $24 per share, Zayre expects to generate roughly $192 million in capital from the sale of 8.5 million shares of the newly formed public company, TJX Cos.

The new company consists of Zayre's 226 T.J. Maxx and 461 Hit or Miss off-price apparel stores and its Chadwick's of Boston off-price apparel catalog, according to the preliminary prospectus released late last month.

The stock offering, which will be used to reduce short-term bank debt and fund future expansion, represents 16



Bernard Cammarata

percent of TJX Cos., with Zayre Corp. retaining ownership of the 84 percent balance.

Maurice Segall, Zayre Corp. president and chief executive officer, said the company first considered creating a separate, publicly-held company about three months ago when it decided there was a need to raise capital "with a long-to medium-term debt issue that would improve the balance sheet and overall cash position of the company."

Segall added that Zayre Corp. will continue to consolidate sales and earnings figures in its annual report which will include financial data on its Zayre Stores, BJs Wholesale Club, HomeClub and the newly created TJX Cos.

TJX Cos. will issue its own annual report, Segall said, with the sales and earnings numbers consolidated for T.J. Maxx family apparel stores, Hit or Miss women's apparel stores, and the Chadwick's of Boston catalog business, which consists of selected merchandise offered at the Hit or Miss apparel chain.

Funds from the offering will be used to add 30 T.J. Maxx stores and 31 Hit or Miss stores during the balance of

(Continued on page 62)

U.S. Suppliers Join Foreign Firms In Appeal for Parallel Import Ban

WASHINGTON — Major U.S. manufacturers—including such discount store suppliers as Procter & Gamble, Tonka, Johnson & Johnson and Kenner Products—have joined foreign producers in urging the Supreme Court to ban parallel imports of lower priced gray market products.

In a brief filed with the court last month, lawyers for a number of American firms charged that unauthorized distributors of parallel imports take a free ride on good will developed by the U.S. trademark owner. They also charged that the public is deceived by gray market goods.

"An American consumer who purchases a gray market good in reliance on the trademark may be in for a disappointment if, for example, the product has been fashioned to suit foreign tastes, quality levels or local legal requirements," the group charged.

The manufacturers said that such disappointment unfairly injures the good will

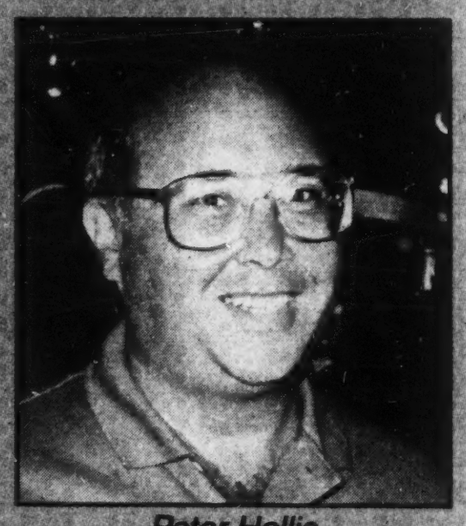
(Continued on page 62)

Ames Credits Sales Jump To Tighter Product Focus

By Peter Hisey

ROCKY HILL, Conn. — Ames Department Stores, which suffered through a year of declining earnings in fiscal 1986, has reported sales "way above projections" for first quarter 1987.

According to a company spokesman, total first quarter sales for the chain of 323 discount and 142 variety stores increased 19.2 percent over last year, with comparable store sales climbing 28.6 percent in February, 6.5 percent in March and 21.7 percent in April.



Peter Hollis

The spokesman cited better and more focused merchandising as a key to the company's performance. Peter Hollis, Ames president, pointed to the addition of executive vice president and general merchandise manager Leslie Dietzman as important in providing better focus in the company's product mix.

According to the spokesman, Ames has made a "concerted effort to control sku's in its circulars" and has made the company's advertising more thematic. The company has become "more product-oriented," with more support of advertised product.

Ames has opened two new stores so far this year and

(Continued on page 62)

Plans to Trim Catalog by 20 Pages

Consumers Dist. to Unveil Prototype

EDISON, N.J. — Consumers Distributing (U.S.) plans to unveil a new prototype this fall when it opens about a half dozen new showrooms in two of its current markets—Boston/Springfield, Mass., and the greater Philadelphia area.

Concurrent with its new showroom look, CD will also show a new face for its annual catalog, which will be cut by 20 pages to 320 pages. The cataloger will play up trimmed categories like toys in a new

(Continued on page 61)

Consumers Distributing will unveil a new prototype this fall, open about six new showrooms, trim its annual catalog, issue a new Christmas Gift Book and phase in its first POS systems. (DSN photo)

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Home Front Scales Down | *Cosmetics/Fragrance Report*

MARKETWATCH

Target Fuels Dayton-Hudson Sales

MINNEAPOLIS — Strong sales at Target helped offset sluggishness at Mervyn's, as total revenues for parent Dayton-Hudson Corp. rose 14 percent during the first quarter, ended May 2. Despite the $14.1 million spent during the quarter to convert 50 former Gemcos into Targets, the discounter continued to be a leading moneymaker for Dayton-Hudson. With revenues of $1.05 billion, Target accounted for almost half of the $2.15 billion volume Dayton-Hudson registered. For Target, sales climbed 18 percent, with same store sales rising 8 percent. With sales of $647 million, Mervyn's registered a 12 percent increase during the quarter, but same store sales rose just 2 percent. Dayton-Hudson said, "Mervyn's lower operating profit reflects weak comparable store sales and a lower gross margin rate due primarily to a planned effort to reduce everyday prices." Rod Bitz, a Dayton-Hudson spokesman, said Mervyn's is making "changes and adjustments to the merchandise mix," including "a more consistent value offering," while also trying to "improve the fashion merchandise—be a little more forward," said Bitz.

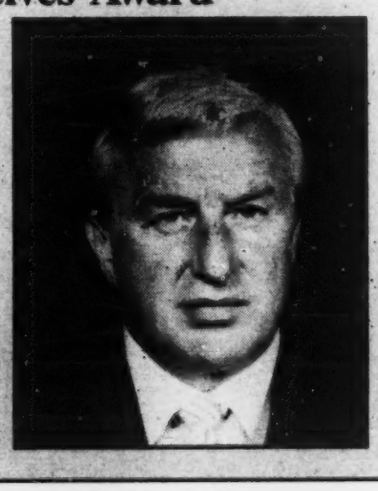
Jamesway Sales Up, Opens 103rd Store

SECAUCUS, N.J. — Jamesway Corporation, the discount store chain based here, celebrated the opening of its 103rd store last month with the unveiling of its newest unit in Etters, Pa. The 60,000-square-foot unit is located in the Valley Green Mall and is the chain's 37th Pennsylvania store. For the four weeks ended May 2, Jamesway sales, excluding leased departments, rose 21 percent over the April 1986 volume to $52.5 million. Store-for-store sales increased 11 percent during the period. For the 13 weeks ended May 2, sales rose 17 percent over the year-ago quarter to $138.3 million. Same store sales increased 7 percent.

Wholesale Club Expands in Midwest

INDIANAPOLIS — The Wholesale Club will open three stores this fall as it focuses its current expansion on filling in current Midwest markets. The cash and carry clubs are due to be opened in Elyria/Lorain as the fourth in the greater Cleveland market and in Fort Wayne and South Bend/Mishawaka, Ind., as its third and fourth in its home market. Last month the membership warehouse opened a unit in the Inver Grove Heights area of St. Paul as its fourth in the greater Minneapolis/St. Paul market. The three new stores will boost the company's count to 15, giving the $158.4 million chain the greatest concentration of warehouses in the upper Midwest of any club operator.

Jewelcor President Receives Award



HANOVER, Mass. — The Cardinal Cushing School and Training Center has presented its Humanitarian Award to Seymour Holtzman at its 21st annual "Springtime in Hanover" dinner. Holtzman is president and chief executive officer of Jewelcor Inc., the parent of the Jewelcor catalog showroom chain and catalog coordinator Jewelcor Merchandising.

FOR THE RECORD

Last month, American Wholesale Club of Plano, Tex., was selling a Makita 6070 DW 3/8-inch variable speed reversible power drill for $53.94. A neighboring Sam's Wholesale Club was selling a Makita 6010 SDW 3/8-inch cordless drill for $46.39. An article in *DSN's* May 25 issue incorrectly implied the two membership clubs were selling the identical product.

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K mart to Add Bank Centers In Up to 17 Chicago Outlets

TROY, Mich. — K mart will add leased banking centers in up to 17 Chicagoland stores this year as part of the discounter's stepped up expansion into the financial services field.

United Savings of America is set to open leased, 136-square-foot Convenience Banking Centers in nine K marts in the greater Chicago area this month, with up to another eight stores due to get the CBCs in the fall.

The deal between the retailer and the bank allows USA to open CBCs "in K marts throughout Illinois at a very rapid rate," said David H. Voss, USA's chairman.

The two companies tested CBCs in six Chicagoland K marts last year. CBC services include checking and savings accounts, CDs, IRA's, tax-advantage investments and USA's Cash Station automatic teller machines.

"We continue to be tremendously pleased with the success of the program," said Jon H. Hartman, K mart's director of financial services.

The agreement with USA is an expansion of K mart's previously announced plans to add financial service centers in 150 discount stores in six other states this year. The chain's goal is to have at least 1,000 stores nationwide with these leased financial sections by the end of the decade.

The earlier expansion was with First Nationwide Bank, and involved additional K mart financial centers in California and Florida, along with the debut of such services in stores in Minnesota, New York, Ohio and Pennsylvania.

K mart first tested financial centers in 1984 in 10 San Diego, Calif., discount stores in a pilot program with First Nationwide Bank.

Subsequently, banks that are members of the First Nationwide Network, as well as other financial institutions, opened these financial centers in K marts in Florida, Indiana, Kansas, Michigan and Virginia.

Characters Break Records

Licensing Expands in Apparel/Toys

NEW YORK — The Licensing Show Merchandisers' Association expected to draw about 7,000 merchandising executives to its seventh annual licensing exposition, held June 3 to 5, in the Jacob J. Javits Convention Center.

More than 130 licensing firms bought exhibit space at what LIMA president Gerrold Robinson called the largest licensing show in the world, eclipsing similar shows held in Europe and Japan.

Child World, the nation's second largest specialty toy retailer, was slated to be one of seven firms honored at an awards banquet last Thursday evening by LIMA for "General excellence in the use of licensed merchandise at retail."

The character licensing

(Continued on page 61)

U.S. Licensing Sales Estimates
(In Billions of Dollars at Retail)

	Total U.S. 1985 Sales	Total Licensed 1985 Sales	% of 1985 Sales
Toys	$ 12.7	$ 8.1	64%
Gifts, Novelties	8.5	3.2	38
Sporting Goods	28.0	7.8	28
Apparel, Accessories	125.5	22.6	18
Publishing, Stationery	37.4	4.5	12
Home Furnishings, Housewares	45.0	4.5	10
Total	$257.1	$50.7*	20%

** Total licensed excludes electronics, computers, video games, foods and beverages, fashion designer licensed products and several home furnishing segments.*

Source: Licensing Industry Merchandisers Association

DSN 25th ANNIVERSARY TRIVIA QUIZ

As part of its 25th anniversary, DSN *is offering a $100 prize to the person who correctly answers the most questions. Please type your answers, along with your name, address and telephone number, on standard letterhead, and mail to: Quiz Editor—6/8,* Discount Store News, *425 Park Ave., New York, N.Y. 10022. Winners will be announced in a future issue. Correct answers to questions below appear somewhere else in this issue.*

25 Years Ago This Week:

Bright Lights, Big City: A Denver drive-in theater sued discounter Arlans because the store's lights allegedly obscured the movie screen, even after construction of a $20,000, 30-foot tall fence.

Freeze-Out Meltdown: DuPont, which had been cool toward discounters, started shipping its Zerex anti-freeze direct to many of them.

1. What discounter is the only one of 25 that went public between October 1961 and June 1962 to remain in business?
a) K mart;
b) Caldor;
c) Zayre.

20 Years Ago This Week:

Is That Why They Call It Saving *Time?:* Dallas discounter Gibson extended closing time to 10 p.m. in response to the introduction of daylight-saving time.

We're Tough On U-turns, Too: Toronto police planned to issue parking tickets to abandoned shopping carts.

2. What discounter announced plans for an "invasion" of the North Carolina market?
a) Hill's;
b) Zayre;
c) Ames.

10 Years Ago This Week:

Name Dropper: Kresge shareholders, perhaps noting the relative success of Kresge and K mart stores, voted overwhelmingly to change the corporation's name to K mart.

3. What discount stock plunged more than 14 points in six months, to 29⅝?
a) Wal-Mart;
b) K mart;
c) Zayre.

5 Years Ago This Week:

Bringing System Crashes to the Masses: Discounters were salivating over the results of several tests of discount home computers.

4. What discounter announced plans to close stores for the first time in its history?
a) K mart;
b) Wal-Mart;
c) Zayre.

1 Year Ago This Week:

Super Savers: Price Club's latest offering was discount travel, introduced in its new business customer newsletter.

5. What discounter was rumored to be the target of a $6 billion takeover attempt?
a) K mart;
b) Wal-Mart;
c) Zayre.

Commerce Reports Shoe Imports Jump 13% to $6.3B in '86

WASHINGTON — During 1986, only two of every 10 pairs of shoes on American retailers' shelves were marked "Made in the USA."

According to recent figures compiled by the U.S. Commerce Department, imports' share of non-rubber footwear consumption by Americans passed 80 percent for the first time last year. The 13 percent rise in number of imported shoes (108 million pairs more than in 1985) represented $6.3 billion in value.

In contrast, Commerce Department researchers reported a ninth consecutive yearly drop in domestic shoe industry shipments in 1986. U.S. footwear shipments (excluding rubber and rubber-soled shoes) dropped 13 percent to just over $4 billion in 1986.

Economists reported one positive aspect of the trade picture for the U.S. footwear industry—the declining value of the dollar.

"The gap between the U.S. factory price and the price of imports, which had widened from 1982 to 1985 as the U.S. dollar strengthened, finally began to narrow," they reported. Even so, in the first six months of 1986, the average U.S. factory price for non-rubber shoes was $13.77, while the import price was less than half the U.S. cost—$5.99.

However, economists said the price disparity is expected to be below 100 percent when reviews of 1986 figures are completed.

Rate of Decline to Slow

Of equal significance were government predictions that the declining value of U.S. currency will slow the nine-year slide in the value of domestic shipments. While U.S. footwear shipments are expected to decline for the 10th straight year, the rate of decline should slow to 5.3 percent in 1987. Moreover, economists predicted an average annual rate of decline of only 3 percent for the next five years.

Another 1986 trend which could be good news for the U.S. footwear industry was the increased use of leather by domestic manufacturers.

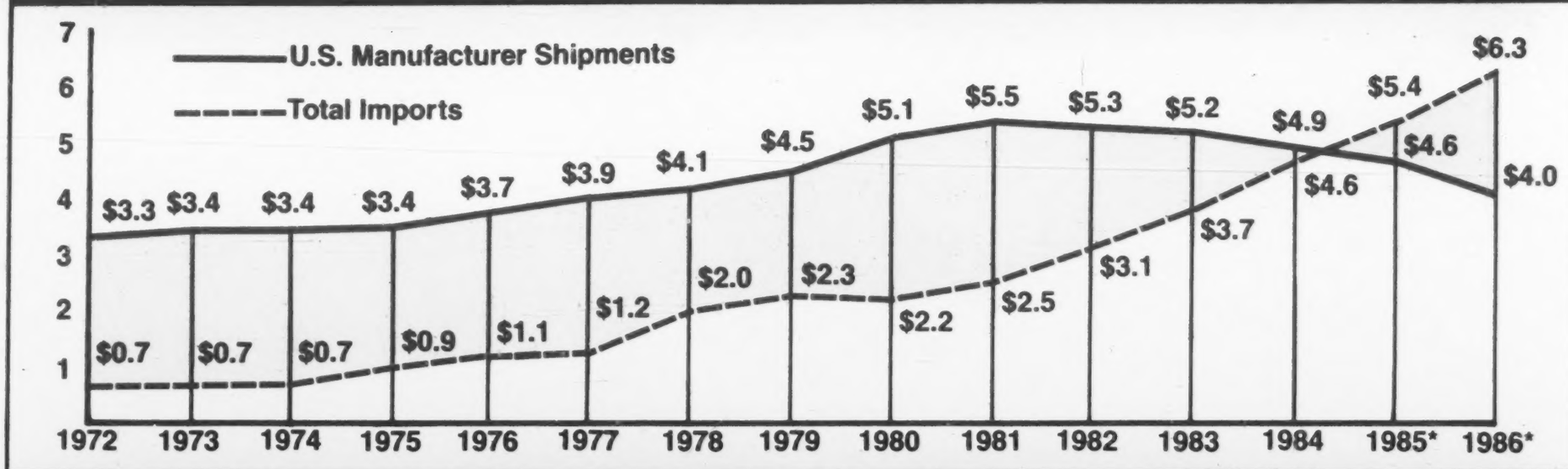
"Profit margins are higher for leather footwear," researchers said. Leather's share in 1986 was estimated at 57 percent, up from 55 percent the previous year.

Rubber and plastic footwear, like the non-rubber sector, continued a "long-term decline" in 1986, researchers reported. Shipments of "protective" footwear (e.g., galoshes) increased 13 percent, but rubber-soled, "fabric-upper" shoe shipments (athletic footwear and espadrilles) dropped 20 percent. In addition, economists predicted that U.S. shipments of "fabric-uppers" will continue to decline in 1987 "as imports replace domestic production."

READ
CLASSIFIED ADS

Footwear: Value of Manufacturer Shipments and Imports, 1972-1986

(In Billions)



*Estimate

Source: U.S. Commerce Department

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Changing Demographics Portend Growth for Leather Goods

WASHINGTON — Fueled by more white collar workers and additional women in the work force, consumer demand for leather goods will grow in the coming years, economists at the U.S. Commerce Department predicted.

"Many demographic factors offer optimistic prospects for future growth in consumer demand for leather products," they said. In addition to retail sales generated by changes in the work force, leather goods consumption will be helped by a growing number of retired Americans.

"Expanding rolls of retirees coupled with increases in disposable incomes hint at expanding travel opportunities and corresponding increases in luggage sales," economists said.

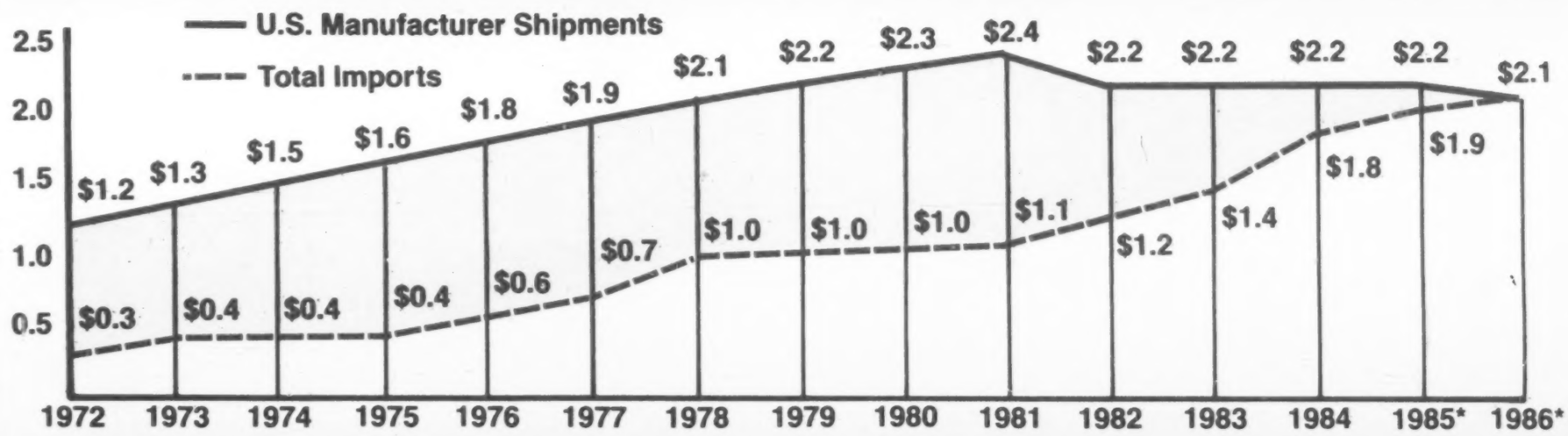
The robust demand for leather goods, while good news for retailers, will not stem the drop in shipments by U.S. leather goods manufacturers. The value of domestic leather shipments fell 3.1 percent in 1986 to $2.1 billion—a decline of more than $50 million from 1985, according to government researchers.

In contrast, imports of leather products (aided by low foreign wage scales in a labor-intensive industry) rose 8 percent last year, gaining "a hefty $153 million," they reported. Economists projected an 0.2 percent fall in U.S. shipments for 1987, with a decline in handbags, personal leather goods and leather clothing offsetting gains in shipments of gloves and luggage.

Significantly, they also predicted that domination by imports in the leather goods market will continue during the next five years.

"As long as a wide disparity in wage rates exists between the United States and its import suppliers (which now account for half the leather products market in the U.S.), growth in consumer demand will likely be satisfied by imported goods," they explained.

Luggage/Personal Leather Items: Value of Shipments and Imports, 1972-1986



*Estimate

Source: U.S. Commerce Department

MANUFACTURER NEWS

NORTH PROVIDENCE, R.I. — **Accessories Associates Incorporated**, a manufacturer of jewelry and accessories, has named **Robert Lallo** chief operating officer. Lallo was previously president of AAi's parent and manufacturing arm, Femic, Inc. As coo, Lallo will report to chairman Gerald Cerce and will be responsible for day-to-day operations at AAi.

And, **Charles Glasko** has been named director of design. He was recently with Monsoon Industries, London, where he coordinated apparel and jewelry lines for Giorgio Armani and Valentino. **Karen Trimble** has been appointed designer with responsibility for developing new product designs for AAi's costume jewelry division. She was formerly owner and principal designer for the Kat Company, Providence, R.I.

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RETAIL MANAGEMENT DEVELOPMENT SERIES

Survey Reveals Computerization Improves Bottom Line Profits

By Randy Allen and Daniel McCarthy

Touche Ross & Co.

POS and MIS are key elements in the success of major retailers today, and they will play an even greater role in that success in the future. The results of the 1986 National Retail Merchants Association/ Touche Ross survey of POS indicate that retailers are investing heavily in this technology and receiving a number of types of benefits from the increasing widespread use of POS systems. Respondents in the current survey are getting much more from their systems than did the retailers in the 1977 and 1981 surveys. It appears, however, that the full potential benefit of this investment is still to be reaped.

Survey Respondents

Responses to the survey came from retail companies throughout the world, representing more than $233 million in sales, generated in over 68,000 stores.

Regarding POS installation, 45 percent of all respondents have converted fully to POS, a 10 percent increase over the 35 percent of the 1981 survey. The percentage with no POS has fallen dramatically, from 43 percent in 1981 to 5 percent today.

Point-of-Sale Environment

In the 1981 study, most retailers did not believe POS could be cost-justified because of the difficulty in assigning dollar values to such factors as improved information and better merchandise planning and control. Today, however, respondents feel that POS is cost-justified and does pay for itself. Experience has shown that the information generated through POS is readily translated into dollars at the bottom line.

With more than 243,000 terminals installed by the respondents to this survey, there is and will be an even greater used-equipment market growing for POS terminals. The majority, 87 percent of the companies, bought new equipment but the remainder bought used equipment. The manufacturers are the purchase source in just over half of the companies, 55 percent.

NCR and IBM generally rank No. 1 or No. 2 in POS among the respondents regardless of type or size.

Portable data-capture units are used extensively in the industry to record sales and inventory and to place orders.

Implementation and Use

In general, respondents in the current survey have realized more of the expected benefits than did the 1977 or 1981 participants, especially in the area of merchandising benefits. More than 72 percent of the respondents who expected POS to lead to improved gross margins achieved their goal, whereas less than 20 percent in the 1977 survey realized that benefit.

Most of the responding companies who have POS are communicating their data to a host computer. A number of the respondents use a combination of methods for completing this communication, depending on the type of store and the age of the equipment. Of those firms not currently communicating to a host, 13 percent plan to implement some type of communications ability in the future.

The responding companies have a broad range of options for handling credit and accounts receivable. Bankcard and credit authorization is the most extensively used application. Among those who do not currently perform this authorization, 13 percent plan to implement it within the next three years. Interestingly, very few firms have any concrete plans to implement debit card processing, an application driven by market pressures rather than by retailers.

Firms that are fully installed make much greater use of the POS capabilities. Particularly among discount chains, sku data is almost universally captured, while hard goods chains have had significant progress in the use of price lookup. Evidence of the interest in this subject is seen in an additional 23 percent of the respondents having plans to implement price lookup in the future.

Retailers have come to expect a wide array of benefits from their POS systems. The benefits most frequently sought are faster, more accurate information and additonal sales information. In the area of disappointments, a number of retailers did not realize increased sales or reduced bad debts.

As compared to 1981, it is in the key areas of increased sales, reduced bad debt, and ability to handle peak season that the realization of benefits has increased. More companies have come to expect merchandising benefits.

The number of full-time equivalents assigned to the initial POS implementation has increased substantially since 1981. While the greatest emphasis is from the areas of EDP, store operations and training, a number of firms are also assigning staff from merchandising and finance.

On-going Operations

In general, the useful life of the respondents' equipment is considered to range from five years to 11 years. Since the installed base has a mean age of about four years, many firms are beginning to think about replacing their equipment.

Approximately 50 percent of the firms, regardless of segment, plan to begin replacing their equipment within the next three years. A substantial percentage of the other firms plan to wait five years.

There is no one specific reason why respondents have replaced their POS equipment. While obsolescence is the reason given most frequently by discount/mass merchandise companies (28 percent), department stores (27 percent) and variety stores (30 percent), new functions is the reason given more often by specialty stores. Low cost and unsatisfactory performance are also cited as reasons for replacement.

Maintenance of POS equipment as a significant annual expenditure has changed since 1981. At that time, 85 percent of the maintenance was done by the vendor; today 64 percent of maintenance is done by the vendor. This trend is expected to continue, especially as the equipment has gotten more reliable and more modular, making it much easier to repair by swapping components. The response from vendors when there are problems has improved dramatically, with 72 percent of the survey participants getting a response within four hours.

Back-Office Environment

Who has an in-house computer? Almost everybody, regardless of segment, region and even size. Though IBM is the number one primary back room minicomputer, other makes are found in significant numbers. Interesting breaks from the pattern show 44 percent of discount chains using the NEC computer and 22 percent of the soft goods specialty companies using Burroughs. Twenty-two percent of varity chains use Honeywell. The variances are explained in part by the international composition of the sample.

In choosing microcomputers, retailers overwhelmingly chose IBM. Texas Instruments, however, is the choice of 57 percent of the soft goods specialty chains who responded to the question.

As a group, the respondents spend slightly over 1 percent of their sales on MIS. The actual range can be quite broad, however, with firms reporting as little as 0.1 percent or as much as over 2 percent. As firms grow in size, they do gain some economies of scale. However, the rate of decrease falls off as the percentage reaches 1 percent.

As would be expected, personnel accounts for the largest MIS expenditure, ranging from 36 percent among variety chains to 56 percent among soft goods specialty companies. There is also a wide range of budget figures in the area of POS equipment, mainframe equipment, operating software, voice communications and maintenance.

The amount budgeted for personnel, as a percent of sales, declines with the increase in total sales. Among the smallest companies, 55 percent of the MIS budget is dedicated to personnel, whereas the largest companies dedi-

(Continued on page 55)

Ways in Which POS Systems are Used: Merchandise and Inventory

Type of Function	Discount/ Mass Merchandisers	Specialty Hard Goods	Specialty Soft Goods
Markdowns	52%	55%	57%
Transfers	28	50	41
Big Ticket Processing	12	34	8
Ticket Generation Requests	4	16	5
Receipts	28	50	38
Purchases	20	34	16
Physical Inventory	36	42	20
Price Changes	24	58	36
Price Look-up	48	58	16
Sku Data Capture	92	61	76
Special Order Printing	8	21	3
Inquiry for Stock Availability in Warehouse or Other Stores	20	26	5
Automatic Ordering and Delivery for Customers	12	16	2
Picking Ticket Generation	8	18	8
Trade-in of Merchandise	16	26	17
Merchandise Exchange	36	42	54
Merchandise Credits and Refunds	72	55	66

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June 8, 1987

Questions

Indicate whether the statement is true or false.

1. Most respondents feel that POS does not justify its cost.
   True False
2. The market for used POS equipment is on the rise.
   True False
3. Few companies use POS for credit authorization.
   True False
4. Faster, more accurate information are the benefits most frequently expected from POS.
   True False
5. Useful life of POS equipment is between four and six years.
   True False
6. Poor response from vendors to maintenance requests was cited as a major problem.
   True False
7. Survey respondents spend about one percent of saies on MIS.
   True False
8. OCR-A Tickets are widely used in many of the responding discount companies.
   True False
9. The UPC machine-readable ticket is being planned by a large number of respondents.
   True False
10. Electronic communication with supplies is still many years off for most retailers.
    True False

CALENDAR OF EVENTS

NEW YORK — The following is a listing of shows, conventions, seminars and markets that should be of interest to discount and specialty store retailers.

DSN will periodically update the calendar to include new shows or to indicate changes in dates, time or location of current listings.

Associations, sponsors and organizers are invited to submit information on their shows to:

Calendar Editor
Discount Store News
425 Park Ave.
New York, N.Y. 10022.

JUNE

9-12: **Chicago Summer Floorcovering Market**, The Merchandise Mart, Chicago, Ill.

23-25: **Cosmetic, Fragrance & Fashion Accessories Trade Show**, Show Boat Hotel, Atlantic City, N.J.

28-30: **N.A.M.S.B.**, New York Penta Hotel, New York, N.Y.

JULY

10-14: **Transworld Housewares Show**, O'Hare Expo Center, Chicago, Ill.

19-24: **Early Bird Gift & Accessories Market**, The Merchandise Mart, Chicago, Ill.

25-29: **Chicago Gift & Accessories Market**, The Merchandise Mart, Expocenter, Chicago, Ill.

27-29: **International Lawn & Garden Expo**, Kentucky Fair & Expo Center, Louisville, Ky.

AUGUST

6-9: **AFTMA - American Fishing & Tackle Mfrs. Association**, Georgia World Congress Center, Atlanta, Ga.

9-12: **National Hardware Show**, McCormick Place, Chicago, Ill.

9-13: **New York International Gift Fair**, Jacob Javits Convention Center and The Passenger Ship Terminal, New York, N.Y., (212) 686-6070.

9: **SPARC**, Hyatt Regency, Chicago, Ill.

14-18: **California Apparel Mart - Open Week**, Women's & Children's Holiday Apparel, California Mart, Los Angeles, Calif.

15-19: **Chicago Apparel Mart - Open Week**, Women's & Children's Holiday Apparel, Chicago Apparel Center, Chicago, Ill.

16-19: **Video Software Dealers Association**, Bally's Grand Hotel, Las Vegas, Nev.

21-26: **Dallas Apparel Mart**, Dallas Market Center, Dallas, Tex.

23-25: **California Stationery Show**, Convention & Performing Arts Center, San Diego, Calif.

23-26: **San Diego Gift Show**, El Cortez Convention Center, San Diego, Calif.

POS Improves Bottom Line Profits

(Continued from page 52)

cate about 42 percent for personnel. There is no such pattern seen in most of the other expense categories. However, a substantial number of larger firms are making major investments in voice communications.

There is a clear relationship between the sales volume of the company and the existence of a systems steering committee. Only one quarter of firms with sales below $50 million have a steering committee; and 83 percent of firms with sales over $350 million have a steering committee.

The majority of responding companies (71 percent) treat MIS costs as company overhead.

Overwhelmingly, responding retailers expense costs for systems development. A significant number of companies, however, capitalize these costs, as seen in the 19 percent response from department stores, the 25 percent from variety stores, the 20 percent and 24 percent from specialty chains. Almost no one considers the costs as research and development.

Systems and Processing

In terms of applications in the selling cycle, sales audit and sales analysis are the most common applications among responding firms that have an in-house computer or service bureau. With the exception of credit authorization, the majority of these applications are batch systems, developed internally, and do not use data bases.

Accounts payable (83 percent), general ledger (80 percent) and payroll (78 percent) are the most commonly used applications in the financial cycle. These applications are automated in most companies. Department stores show a high response (70 percent) in use of the country club accounts receivable application.

A good many applications in the financial cycle have been installed for at least five years. Many of the financial cycle applications have been developed internally or are served through packages. The greater use of packages in the financial area is probably due to the fact that more packages are available for this cycle.

In the purchase cycle, applications used by a good number of respondents include purchase order management (60 percent), merchandise receipt (61 percent) and staple stock (65 percent). In comparison to the other segments, department store companies show a heavy use of open-to-buy. Hard goods specialty stores break the pattern in item replenishment, with a 60 percent affirmative response.

Most of the applications in the purchase cycle were installed about four to six years ago. The big ticket application has been installed in department stores and discount chains for more than seven years. Automated matching is a relatively new application where retailers are currently investing in systems development. This is probably due to a lack, until recently, of package software in these areas. Those applications are generally online systems with close to half of them using data bases.

Technical Trends

The print-only ticket is still widely used in all segments. But other types of tickets also appear prominently. OCR-A, for instance, is used by 20 percent of discount/mass merchandise companies and by 18 percent of department stores responding. The discounters use UPC marking to a significant degree. As yet, very few firms have developed their own bar code.

OCR-A has risen and fallen, while UPC has made tremendous gains since 1977. The use of print-only tickets is declining fairly rapidly.

Today more department store companies (59 percent) are keying into POS than were doing so in 1981 (43 percent). In contrast, the 48 percent of discounters keying data at POS today is a decline from the 62 percent in 1981.

Among specialty stores, both hard goods and soft goods, this year's percentages (50 percent and 44 percent, respectively) keying at POS are much higher than in 1981 (28 percent).

As for wanding and scanning at POS, even the small percentage of stores represents an increase over the numbers given in 1981. Therefore, progress is being made in these technologies.

In spite of the small number of firms currently scanning, almost 40 percent plan to introduce this procedure in the future. Such plans are common in all segments.

What types of machine-readable tickets are retailers planning to introduce? The dominant preference appears to be EAN/UPC, which is preferred by almost half the respondents. The bar code is in the plans of a number of discounters (21 percent), department stores (33 percent) and specialty store companies (29 percent and 48 percent). Twenty-one percent of discount companies also show significant interest in OCR-A.

Among those firms not planning to use UPC ticketing in the future, those firms with sales under $50 million dominate; 68 percent of retailers in that category have no plans for EAN/UPC. At the other end of the scale, 86 percent of those with sales over $350 million eventually plan to use UPC in the future.

For the most part, as the size of the firm increases, so does the frequency of electronic communication with suppliers. For instance, among firms with sales under $50 million, 73 percent state that they have no plans at present to institute electronic communication, while a majority of firms with sales over $150 million plan to do so within the next year. The primary data being transmitted electronically to suppliers is for invoices and purchase orders.

The complete results of this survey have been published in book form in "Point-Of-Sale: Current Trends and Beyond," written by Randy Allen and Daniel McCarthy. It is available from NRMA.

About the Authors

Randy Allen is a partner in the New Jersey offices of Touche Ross and is a national director for retailing. She has written and spoken extensively on POS and other retail technology topics.

Daniel McCarthy is a senior consultant at Touche Ross, with a strong background in retailing and consulting.

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—*Eric Dickerson*

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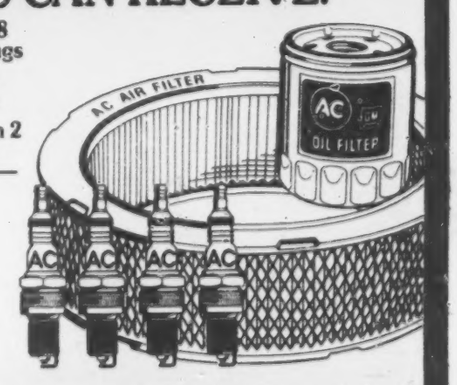

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Crazy Eddie Buyout Bid May Revive N.Y. CE Chain's Sales

(Continued from page 1)
May 28 at $7.63 per share.

Crazy Eddie was at its peak in the eyes of analysts and other industry observers in September 1986 when it was churning out $3,300 in sales per square foot. Its major New York metropolitan market competitor, Newmark & Lewis, was generating $700 sales per square foot at the time, according to estimates by Donald I. Trott, an analyst with Dean Witter Reynolds, a New York securities firm.

Trott attributed this sales productivity to Antar, and his ability to fire up his sales personnel. Antar was particularly effective in educating consumers that his stores had name brand goods at the lowest prices. Consumers traveled distances away just to shop at his stores, he added.

This is not the case anymore, Trott said, as the other three major New York CE retailers—Newmark & Lewis, The Wiz, and Trader Horn—have attained increasingly higher profiles. All have greatly expanded their number of stores and increased their advertising budgets. Edwin L. Underwood, vice president of Scott & Stringfellow, based in Richmond, Va., agreed that the competitive activity has become much tougher during the last six months of Eddie's absence.

In December, Crazy Eddie's comparable store sales were down 9 percent, while Newmark & Lewis' comparable store sales grew 18 percent that month.

"We estimate today," Trott said, "that Crazy Eddie's sales per square foot is $2,300 compared to Newmark & Lewis' sales of $850 to $860 per square foot. Now the gap has shortened. What used to be a 5 to 1 margin in September 1986 is now 3 to 1."

Trott predicted that Crazy Eddie's sales floor productivity will level off at $1,800 to $2,000 in sales per square foot, a far cry from the $3,300 per square foot figure of 20 months ago.

"The deteriorating older store sales pattern will continue into the company's next and probably last public announcement for the three-month quarter ended in May when older store sales will be down by 20 percent or more," Trott said.

The return of the elusive Antar, who could not be reached for comment for this article, has raised questions concerning his motives for taking the company private, especially in light of the low purchase bid.

Crazy Eddie went public in 1984 at $8 a share. Since going public, Antar has sold off at least $68.4 million of the company's stock, according to Securities and Exchange Commission documents. In the past 52 weeks, Crazy Eddie's stock price has ranged from a high of $21.63 to a low of $4.63, just prior to the announced buyback bid. At least one shareholder suit has been filed against Crazy Eddie and Eddie Antar alleging various securities law violations.

"I believe that the $7 price per share in the offer is the lower end of fair," Trott said. "A fair price would have been between $7 and $9 a share," he concluded.

Underwood believes the price is fair considering the current performance of the company, which may benefit from inspirational help from Antar or new direction from the Belzbergs.

"Eddie Antar obviously knows the business and perhaps he thinks it will run better as a private company," Underwood said. "Antar is an intangible of the company and management needs his energy to keep salespeople fired up," he added.

An informal survey of store level personnel indicated that Antar's absence has affected Crazy Eddie, especially veteran store managers and salespeople. "It is the feeling expressed throughout the company . . . we need him back," said one store manager.

CD (U.S.) to Unveil New Prototype; Plans to Trim Catalog

(Continued from page 1)
90-page Christmas Gift Book that it will be issuing for the first time.

Besides these two moves, the cataloger this year is phasing in its first point-of-sale systems in 25 to 30 showrooms after testing electronic terminals in a number of stores. The POS system is patterned on the one used by CD's parent, Consumers Distributing (Canada), in its showrooms.

CD (Canada), meanwhile, has named Henri A. Roy, chairman and chief executive officer, to the additional post of president, succeeding Michael H. Haberman, who left the company after a number of unexplained "policy disagreements" with Roy.

Roy, who was named chairman and ceo of CD (Canada) in February, also continues as executive vice president of Provigo Inc., a Montreal-based food distributor that owns a 46 percent voting interest in the publicly-held Canadian cataloger.

Haberman's leaving completes the departure of the two-man top management team that led the cataloger during the past few years. CD (Canada) founder Jack Stupp resigned as chairman, ceo and board member in February 1986 following the sale of his family stock to Provigo.

Provigo's management of CD (Canada) did not slow down its growth in sales. The cataloger's volume in the fiscal year ended Jan. 31 of $933.4 million (Canadian) represented a 6.4 percent gain from $876.6 million, while income from continuing operations more than doubled to $5.6 million from $2 million. These results don't include losses from discontinued operations. CD (U.S) closed 73 stores in California and Nevada in 1986.

The Canadian showroom had a 7.2 percent jump in sales to $605.6 million from $565.1 million, while the U.S. chain's volume of $327.8 million was a 5.2 percent gain from $311.5 million.

The 89 units in the U.S. division, more importantly, had an operating profit of $780,000 compared to a $2 million loss in the previous year.

CD (U.S.)'s new showroom prototype positions jewelry as a kiosk-type showcase counter in the center of the store to markedly heighten its visibility and access to shoppers. CD's small showrooms, which average about 10,000 square feet, only display jewelry, with the presentation of all other merchandise limited to samples of only a few items.

The pickup desk remains in the back, with sample displays of other items on the showroom's walls.

The scaled-down catalog, scheduled to be distributed in early August, will show a trimmed selection of seasonal items like toys, with much of this merchandise switched to the new Christmas catalog.

The Christmas gift book will come out in November and replace one of the five holiday flyers CD (U.S.) had issued in previous years. Its mix of gift items like jewelry, consumer electronics and housewares, and seasonal goods like toys is seen as an enhancement to the larger catalog, CD (U.S.) executives said, because of the sharper holiday focus of the Christmas book.

The Christmas catalog is an image book; most items will be offered at the cataloger's everyday price, rather than at a sale price. Jewelry will account for less than half of the mix, so the catalog assortment will have the widest possible appeal.

The key to putting the new gift catalog together, an executive explained, was picking strong demand products that carried higher margins, so that the book will draw customers and return a profit even with the inclusion of those items that are offered at sale prices.

Licensing Expands in Apparel/Toys

(Continued from page 2)
field has reached a mature stage, Robinson said, and some lines are regressing.

On the other hand, staples such as Mickey Mouse and Minnie, "have never been hotter," he said. New characters, such as Max Headroom, also are doing well.

Generally, though, it's a return to basics, he said, or anything that people 25 years old can identify with, including Snoopy and Dick Tracy. "The old staples are running well ahead of the pack," Robinson said. "Newly emerged growth properties are fighting uphill," he said, although some preschool licenses are hot.

In apparel, "licensing is everywhere," he said. Of established brands, more than 50 percent appear on clothing, said Robinson, also president of Pilgrim Industries, a New York manufacturer of children's apparel.

In the corporate logo category, licensing is "breaking every record," Robinson said, doubling almost each year.

In addition, brand extension, such as using the Seagrams name—through Coca-Cola—on ginger ale and other mixes is better than ever, Robinson said.

Guest speakers at the show included Pulitzer prize-winning journalist Jack Anderson, Dan Witkowski, a producer and magician who put on this year's Super Bowl halftime extravaganza, and Naomi Warner, who teaches a licensing course at the Parsons School of Design in New York.

As was the case at last year's show, a number of new products were expected to be introduced, said Bob Licker, marketing director for Expocon, Southport, Conn., a trade show company that is producing the show.

Several new licensing firms are exhibiting this year, Licker said. As the licensing industry enters a "second generation phase," it no longer is a question of whether to license, Licker said. Instead, the question is what products to license as manufacturers "fine-tune" their programs, he said.

Licker predicted that the industry will undergo a shakeout as the number of available licensing deals soar.

An Audits & Survey study that LIMA commissioned found that almost two-thirds, or 64 percent, of toys sold in 1985 were licensed products. Gifts and novelties was the next largest, with licensed products accounting for 38 percent of such goods in 1985.

At retail, sales of licensed goods and services totaled $54 billion in 1986, LIMA estimated. By 1990, the total will hit $90 billion, the trade association predicted.

Looking ahead to 1988, LIMA has scheduled its eighth annual show from June 7 to 9 in the same center.

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Vol. 26, No. 12 June 8, 1987

TWA Begins In-Flight Gift Boutique

(Continued from page 3)
form, paying either by cash or any of six bank or travel and entertainment credit cards, including the TWA Getaway card.

Ambassador Boutique is a gift-oriented merchandising service, geared to presents that passengers forget to purchase, travel convenience items or games to use during a flight. Its first offering of 18 small, gift type items that carried full markups included a box of two TWA model aircrafts ($10), Travel Scrabble ($18), a 10-karat gold-filled Cross ballpoint pen ($26), Swatch Watches ($35), a Majorica pearl bracelet ($50), a Kodak 35mm camera ($55), metal aviator Ray Ban Sunglasses ($59) and a Burberrys Scarf ($70).

Stock of the 18 items are carried on each plane and is sold on a first-come, first-served basis. If an item is sold out, TWA cannot accommodate a customer by a mail order shipment after the plane lands, a spokeswoman said.

Vendors ship the merchandise to the approximately two dozen cities served by the 36 flights on which goods are sold. The assortment will be reviewed monthly and items dropped and added as sales warrant.

The $3 billion airline diversified into retailing last fall when it launched TWA Marketing Services as its merchandising subsidiary. The subsidiary's first retailing venture was The Travel Channel, a cable TV teleshopping and travel news and information service that began broadcasting in February (see *DSN*, March 2, page 3).

While the Ambassador Boutique program falls under TWA Marketing Services, it is part of the Airline Sales Division which has its own buyers, separate from The Travel Channel.

The proposed mail order catalog will be sent to holders of the airline's credit card and members of its frequent flyer program as well as names from selected mailing lists.